

The Big Japanese Stock Market Boom ... And Why

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The Tokyo Stock Exchange is the world's largest in volume and second only to the New York Stock Exchange in value of transactions. At last count approximately 12% of Japan's population are stock holders, a higher proportion than in the U. S.

Japan's dynamic stock market activity marks a sharp departure from prewar days. Prior to the postwar decartelization measures, the shares of the leading Zaibatsu (holding companies) were rarely offered for sale. The small investor was unknown. The securities market was marked by short sales and speculation, an arena only for the professional.

When it was decided to break up the Zaibatsu into individual component firms, Japan's securities houses took over the task of disposing of the shares. Since the reopening of the stock exchanges in 1949, Japan has changed into an "investors' market." With the intensive spread of information about securities through an aggressive merchandising program, it is showing increasing signs today of becoming a "depositors' market."

When the Tokyo, Osaka and Nagoya stock exchanges reopened their doors in May, 1949, trading was conducted under a new Securities Exchange Law patterned after the American Security Exchange Acts of 1934. Protection of stockholders was a major consideration. Exchanges were placed on a membership basis. Trading in "future settlements" was abolished and the American system of margin transactions adopted.

The broad based ownership of public corporations is a phenomenon largely limited to the U. S. and Japan. Legislation designed to protect and encourage the small investor along the lines of the U. S. and Japanese acts is non-existent elsewhere in the world. Most European stock exchanges remain closed clubs with shareholding limited to large scale professional investors. A prominent European trader once remarked, "We'd rather give the people a little Socialism—which we can control—than have them sharing our business".

"Such an attitude contrasts strongly with Japanese thinking," explains Genichi Toyama, chairman of the board of the Nikko Secur-

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ities Co., Ltd., one of Japan's "Big Four" securities firms. "The burgeoning prosperity of the past 10 years has transformed Japan's man-in-the-street into a capitalist. Not only does he find companies wooing him to buy shares, but for the first time in history he is in a financial position to invest a portion of his savings in securities." Nikko maintains branches and busy information centers in such formerly unlikely spots as railways stations, department stores, and amusement and shopping centers. It has taken the aura of aloofness away from investment and made it as easy to purchase securities as to buy merchandise.

Nikko has public relations library centers in the principal Japanese cities where the latest books, magazines, journals, statistics and other information pertaining to securities investment are available for study by clients and prospects. Another popular information service is Nikko's *Money-Building News*, a free weekly newspaper for investors. Replete with articles on company prospects, requests for information from investors, and suggested investment programs, it has one of the largest circulations of any Japanese periodical.

Women and Economy, a monthly magazine with a circulation of approximately 100,000, keeps women investors abreast of economic and financial developments. Nikko's "Morning Smiles" television program goes on the air when the Tokyo Stock Exchange opens at nine. Cameras cover the exchange floor and two announcers explain the market, occasionally supported by an economic analyst. With the slogan "Follow the market from your living room," their aim is to make everyone within the reach of a television set (one family in four has TV) conscious of the stock market. Nikko says that discussions of the market receive almost as much attention in most Japanese homes as the weather and baseball.

Nikko inaugurated its first investment trust in 1951. Since then it has acquired over 1,000,000 investors, Nikko has also introduced a monthly investment program resembling the New York Stock Exchange's Monthly Investment Plan, to attract investors who are able to invest only on a cumulative or monthly basis.

After a decade of unprecedented growth, Japan today stands on the threshold of becoming the first non-Western nation to achieve democratic capitalism. No little credit for this achievement must go to the millions of small investors who have bought not only stocks but a share in Japan's future.